

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>TOWNSHIP OF WELLS</b>	County <b>TUSCOLA</b>
Fiscal Year End <b>3-31-06</b>	Opinion Date <b>6-9-06</b>	Date Audit Report Submitted to State <b>6-29-06</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

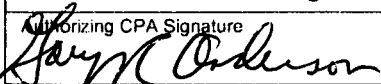
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) <b>ANDERSON, TUCKEY, BERNHARDT &amp; DORAN, P.C.</b>		Telephone Number <b>989-673-3137</b>	
Street Address <b>715 East Frank St. Caro, Michigan 48723-1623</b>		City	State Zip
Authorizing CPA Signature 	Printed Name <b>GARY R. ANDERSON</b>		License Number <b>1101005446</b>

**TOWNSHIP OF WELLS**  
Tuscola County, Michigan

**FINANCIAL STATEMENTS**  
March 31, 2006

**TOWNSHIP OF WELLS**  
Tuscola County, Michigan  
Annual Financial Statements  
and Auditor's Report

March 31, 2006

**TOWNSHIP BOARD**

Supervisor	Melvin L. Witkovsky
Treasurer	Joanne Burda
Clerk	Karen Varney
Trustee	Richard Witkovsky
Trustee	Curt Diver

# TABLE OF CONTENTS

## PAGE NUMBER

### **REPORT OF INDEPENDENT AUDITORS**

#### **GENERAL PURPOSE FINANCIAL STATEMENTS:**

<i>Combined Balance Sheet - All Fund Types and Account Groups</i>	1
<i>Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types</i>	2
<i>Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund</i>	3 & 4
<i>Notes to Financial Statements</i>	5 - 11

#### **SUPPLEMENTAL FINANCIAL INFORMATION:**

##### *General Fund:*

<i>Schedule of Revenues – Budget &amp; Actual – General Fund</i>	12
<i>Schedule of Expenditures – Budget &amp; Actual – General Fund</i>	13

##### *Special Revenue Funds:*

<i>Combining Balance Sheet</i>	14
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balance</i>	15

##### *Road Fund:*

<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual</i>	16
--	----

##### *Cemetery Fund:*

<i>Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual</i>	17
--	----

##### *Current Tax Collection Fund:*

<i>Schedule of Changes in Assets &amp; Liabilities</i>	18
--	----

##### *Account Group:*

<i>Schedule of Changes in General Fixed Assets</i>	19
--	----

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

June 9, 2006

## REPORT OF INDEPENDENT AUDITORS

Members of the Township Board  
Township of Wells  
Tuscola County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Wells as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Wells Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Wells' governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Wells as of March 31, 2006 or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Wells Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

715 East Frank Street, Caro, MI 48723-1647 • 989/673-3137 • 800-234-8829 • Fax 989/673-3375

6261 Church Street, Cass City, MI 48726-1111 • 989/872-3730 • Fax 989/872-3978

E mail [cpa@atbdcpa.com](mailto:cpa@atbdcpa.com) Website [www.atbdcpa.com](http://www.atbdcpa.com)

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
March 31, 2006

	<b>GOVERNMENTAL FUND TYPES</b>		<b>FIDUCIARY FUND TYPE</b>	<b>ACCOUNT GROUPS</b>		
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>CURRENT TAX COLLECTION FUND</b>	<b>GENERAL FIXED ASSETS</b>	<b>GENERAL LONG-TERM DEBT</b>	<b>TOTALS (MEMORANDUM ONLY)</b>
<b><u>ASSETS</u></b>						
Cash	\$ 212,074	\$ 50,881	\$ 106,446			\$ 369,401
Certificate of Deposit-Hurds Corner Road	107,369					107,369
Road Millage Savings		42,139				42,139
Taxes Receivable	-		165,717			165,717
Due from other funds	58,113	83,189				141,302
Property, Plant & Equipment at cost				\$ 290,698		290,698
Amount to be provided for payment of general long-term debt					\$ 191,481	191,481
<b>TOTAL ASSETS</b>	<b>\$ 377,556</b>	<b>\$ 176,209</b>	<b>\$ 272,163</b>	<b>\$ 290,698</b>	<b>\$ 191,481</b>	<b>\$ 1,308,107</b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>						
Liabilities:						
Due to other funds			\$ 141,302			\$ 141,302
Due to other taxing units			130,861			130,861
Note Payable - Long-term					\$ 191,481	191,481
Total Liabilities	-	-	272,163	-	191,481	463,644
Fund Balance:						
Reserved for New Town Hall	\$ 101,300					101,300
Reserved for Hurds Corner Road Project	107,369					107,369
Investment in General Fixed Assets				\$ 290,698		290,698
Designated		\$ 176,209				176,209
Undesignated	168,887					168,887
Total Fund Balance	377,556	176,209	-	290,698	-	844,463
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 377,556</b>	<b>\$ 176,209</b>	<b>\$ 272,163</b>	<b>\$ 290,698</b>	<b>\$ 191,481</b>	<b>\$ 1,308,107</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE -**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED MARCH 31, 2006**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL (MEMORANDUM)</u>
<b>REVENUES:</b>			
Taxes	\$ 54,737	\$ 67,312	\$ 122,049
State Revenue Sharing	138,632		138,632
Cemetery Revenue	4,150		4,150
Interest	12,360	1,595	13,955
Fire Refunds	3,100		3,100
Land Division Permits	1,150		1,150
Metro	-	4,177	4,177
Refuse collection assessments	-	87,750	87,750
Zoning Permits	650		650
Other	3,740		3,740
<b>TOTAL REVENUES</b>	<u>218,519</u>	<u>160,834</u>	<u>379,353</u>
<b>EXPENDITURES:</b>			
Legislative	6,171		6,171
General Government	270,573		270,573
Public Safety	23,907		23,907
Public Works	64,178		64,178
Road Construction	-	75,912	75,912
Refuse Collection Operations	-	86,492	86,492
Recreation & Culture	250		250
<b>TOTAL EXPENDITURES</b>	<u>365,079</u>	<u>162,404</u>	<u>527,483</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(146,560)</u>	<u>(1,570)</u>	<u>(148,130)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Loan	191,481		191,481
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>44,921</u>	<u>(1,570)</u>	<u>43,351</u>
<b>FUND BALANCE - APRIL 1</b>	<u>332,635</u>	<u>177,779</u>	<u>510,414</u>
<b>FUND BALANCE - MARCH 31</b>	<u><u>\$ 377,556</u></u>	<u><u>\$ 176,209</u></u>	<u><u>\$ 553,765</u></u>

The accompanying notes are an integral part of the financial statements.



**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	<b>GENERAL FUND</b>		
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES:</b>			
Property Taxes	\$ 52,159	\$ 54,737	\$ 2,578
State Revenue Sharing	130,000	138,632	8,632
Cemetery Revenue	4,500	4,150	(350)
Interest	3,390	12,360	8,970
Fire Refunds	3,000	3,100	100
Land Division Permits	400	1,150	750
Zoning Permits	900	650	(250)
Metro			-
Refuse collection assessments			-
Other	3,200	3,740	540
<b>TOTAL REVENUES</b>	<b>197,549</b>	<b>218,519</b>	<b>20,970</b>
<b>EXPENDITURES:</b>			
Legislative	7,522	6,171	1,351
General Government	97,741	270,573	(172,832)
Public Safety	25,600	23,907	1,693
Public Works	221,267	64,178	157,089
Road Construction			-
Refuse collection operations			-
Recreation & Culture	250	250	-
<b>TOTAL EXPENDITURES</b>	<b>352,380</b>	<b>365,079</b>	<b>(12,699)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(154,832)</b>	<b>(146,560)</b>	<b>8,272</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Loan	-	191,481	191,481
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(154,832)</b>	<b>44,921</b>	<b>199,753</b>
<b>FUND BALANCE - APRIL 1</b>	<b>332,635</b>	<b>332,635</b>	<b>-</b>
<b>FUND BALANCE - MARCH 31</b>	<b>\$ 177,803</b>	<b>\$ 377,556</b>	<b>199,753</b>

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUND TYPES		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 7,794	\$ 67,312	\$ 59,518
		-
		-
400	1,595	1,195
		-
		-
		-
4,000	4,177	177
101,551	87,750	(13,801)
		-
113,745	160,834	47,089
		-
		-
		-
		-
116,463	75,912	40,551
86,537	86,492	45
		-
203,000	162,404	40,596
(89,255)	(1,570)	87,685
(89,255)	(1,570)	87,685
177,779	177,779	-
\$ 88,524	\$ 176,209	\$ 87,685

TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 59,952	\$ 122,049	\$ 62,097
130,000	138,632	8,632
4,500	4,150	(350)
3,790	13,955	10,165
3,000	3,100	100
400	1,150	750
900	650	(250)
4,000	4,177	177
101,551	87,750	(13,801)
3,200	3,740	540
311,293	379,353	68,060
7,522	6,171	1,351
97,741	270,573	(172,832)
25,600	23,907	1,693
221,267	64,178	157,089
116,463	75,912	40,551
86,537	86,492	45
250	250	-
555,380	527,483	27,897
(244,087)	(148,130)	95,957
-	191,481	191,481
(244,087)	43,351	287,438
510,414	510,414	-
\$ 266,327	\$ 553,765	\$ 287,438

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:**

The Township of Wells, Tuscola County, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 1,500 residents in many areas including public works, public safety, community enrichment and development and human services.

The financial statements of the Township of Wells have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units, except for GASB #34 as noted in Note 9. The U.S. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. REPORTING ENTITY:**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Wells contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

**B. FUND ACCOUNTING:**

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

*GOVERNMENTAL FUNDS* - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**B. FUND ACCOUNTING, (Continued):**

*FIDUCIARY FUNDS* - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

*ACCOUNT GROUPS* – are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

**C. BASIS OF ACCOUNTING:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**D. BUDGETS AND BUDGETARY ACCOUNTING:**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

**E. CASH AND INVESTMENTS:**

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance; Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

**F. RECEIVABLES:**

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

**G. FIXED ASSETS:**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**G. FIXED ASSETS, (Continued):**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

**H. FUND EQUITY:**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

**I. INTERFUND TRANSACTIONS:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**J. MEMORANDUM ONLY - TOTAL COLUMNS:**

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - PROPERTY TAX REVENUE:**

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year which includes the December 1 levy date. The Township levied a general millage of 1.2358 mills and a special road millage of 1.9296. In addition, the Township collected the State Education Tax and the County Tax which were levied July 1 and due September 15.

The Township participates in the Tuscola County Delinquent Tax Fund, which purchases all of the uncollected property tax of the Township each year. The Township receives settlement with the County for all uncollected real estate taxes. On this basis, the full amount of the taxes levied is accrued as income in the year levied.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 3 – INVESTMENT IN GENERAL FIXED ASSETS:**

The general fixed assets of the Township consist of the following:

	<b><u>BALANCE</u></b> <b><u>APRIL 1,</u></b> <b><u>2005</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b><u>BALANCE</u></b> <b><u>MARCH 31,</u></b> <b><u>2006</u></b>
Land	\$10,000			\$ 10,000
Building	5,629	\$203,236		208,865
Equipment	<u>67,723</u>	<u>4,110</u>	<u>      </u>	<u>71,833</u>
Total	<u>\$83,352</u>	<u>\$207,346</u>	<u>NONE</u>	<u>\$290,698</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS:**

**DEPOSITS:**

At year-end, the carrying amount of the Township's deposits was \$518,909 and the bank balance was \$518,909, \$296,533 of which was covered by federal depository insurance. Michigan law does not require collateralization of government deposits. All of the Township's funds, in accordance with Michigan Compiled Laws, Section 129.91, were invested in local banks.

**INVESTMENTS:**

State statutes and Township policy authorize the Township to invest in obligations of the United States, or agencies and instrumentalities of the U.S. commercial paper rated at the time of purchase within the top two classifications by at least two of the four rating agencies, certificates of deposits, repurchase agreements, banker's acceptance, and mutual funds.

The Township investments are categorized below to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Township's name. The Township held no Category 1, 2 or 3 investments at March 31, 2006. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

The Township's cash, cash equivalents, investments and restricted assets at March 31, 2006 are composed of the following:

	<b><u>CASH</u></b> <b><u>AND CASH</u></b> <b><u>EQUIVALENTS</u></b>	<b><u>RESTRICTED</u></b> <b><u>ASSETS</u></b>
General Fund:		
Deposits	\$212,074	\$107,369
Other Funds:		
Deposits	<u>199,466</u>	<u>-</u>
	<u>\$411,540</u>	<u>\$107,369</u>

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 5 – EMPLOYEE BENEFITS:**

The Township pays no employee benefits.

**NOTE 6 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there have been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 7 - LEGAL COMPLIANCE - BUDGETS:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to March 31 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**NOTE 8 – DUE TO AND FROM OTHER FUNDS:**

Due to and from other funds balances at March 31, 2006 are as follows:

<b><u>FUND</u></b>	<b><u>DUE FROM OTHER FUNDS</u></b>	<b><u>DUE TO OTHER FUNDS</u></b>
Special Revenue Funds	\$ 83,189	
General Fund	58,113	
Current Tax Collection Fund	-	\$141,302
<b>TOTAL</b>	<b><u>\$141,302</u></b>	<b><u>\$141,302</u></b>



**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

**NOTE 9- GASB 34:**

The Township chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principles (GAAP). This departure from GAAP is also noted in the audit report letter.

**NOTE 10- TOWNSHIP HALL NOTE PAYABLE:**

The Township borrowed \$191,481 from Community Bank. The loan interest rate is 5%. The loan was signed on March 14, 2006. On April 3, 2006 a certificate of deposit matured and the Township applied \$101,300 to the loan. A new loan was signed for \$90,705 with monthly payments of \$961.57 for 120 months. The estimated repayment schedule is as follows:

	Principal	Interest
2007	\$ 6,555	\$ 4,022
2008	7,502	4,037
2009	7,885	3,653
2010	8,289	3,250
2011	8,713	2,826
2012	9,159	2,380
2013	9,627	1,911
2014	10,120	1,419
2015	10,638	901
2016	<u>12,217</u>	<u>357</u>
Total	<u>\$90,705</u>	<u>\$24,756</u>

## **SUPPLEMENTAL DATA**

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Taxes:			
Current Property Taxes and Fees	\$ 52,159	\$ 54,737	\$ 2,578
Delinquent Taxes and Fees	<u>-</u>	<u>-</u>	<u>-</u>
Total Taxes	<u>52,159</u>	<u>54,737</u>	<u>2,578</u>
Intergovernmental Revenues:			
State Revenue Sharing	<u>130,000</u>	<u>138,632</u>	<u>8,632</u>
Other Revenue:			
Cemetery Revenue	4,500	4,150	(350)
Interest	3,390	12,360	8,970
Fire Refunds	3,000	3,100	100
Land Division Permits	400	1,150	750
Special Use Permits	-	-	-
Zoning Permits	900	650	(250)
Miscellaneous	<u>3,200</u>	<u>3,740</u>	<u>540</u>
Total other revenue	<u>15,390</u>	<u>25,150</u>	<u>9,760</u>
TOTAL REVENUES	<u>\$ 197,549</u>	<u>\$ 218,519</u>	<u>\$ 20,970</u>

See the accompanying notes.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Legislative:			
Township Board	<u>\$ 7,522</u>	<u>\$ 6,171</u>	<u>\$ 1,351</u>
General Government:			
Township Supervisor	7,659	7,659	0
Treasurer	15,894	15,894	(0)
Clerk	11,499	11,114	385
Board of Appeals	245	-	245
Board of Review	1,200	990	210
Payroll Taxes	4,200	3,484	716
Zoning Administrator	3,550	3,331	219
Cemetery Operations	6,510	4,680	1,830
Assessor	9,277	9,276	1
Planning Commission	5,050	1,786	3,264
Buildings & Grounds	29,950	211,931	(181,981)
Other General Government	<u>2,707</u>	<u>428</u>	<u>2,279</u>
Total General Government	<u>97,741</u>	<u>270,573</u>	<u>(172,832)</u>
Public Safety:			
Fire Protection	<u>25,600</u>	<u>23,907</u>	<u>1,693</u>
Total Public Safety	<u>25,600</u>	<u>23,907</u>	<u>1,693</u>
Public Works:			
Road Maintenance & Construction	201,200	44,111	157,089
Special Road Millage	-	-	-
Drain-at-Large	<u>20,067</u>	<u>20,067</u>	<u>0</u>
Total Public Works	<u>221,267</u>	<u>64,178</u>	<u>157,089</u>
Recreation and Culture:			
Library	<u>250</u>	<u>250</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 352,380</u>	<u>\$ 365,079</u>	<u>\$ (12,699)</u>

See the accompanying notes.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
 March 31, 2006

	<u>ROAD FUND</u>	<u>GARBAGE FUND</u>	<u>TOTALS MARCH 31, 2006</u>
<b><u>ASSETS</u></b>			
CURRENT ASSETS:			
Cash in bank		\$ 50,881	\$ 50,881
Road Millage Savings	\$ 42,139		42,139
Due from other funds	67,313	15,876	83,189
<b>TOTAL ASSETS</b>	<b><u>\$ 109,452</u></b>	<b><u>\$ 66,757</u></b>	<b><u>\$ 176,209</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
LIABILITIES:			
Accounts payable			
FUND BALANCE:			
Designated	\$ 109,452	\$ 66,757	\$ 176,209
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b><u>\$ 109,452</u></b>	<b><u>\$ 66,757</u></b>	<b><u>\$ 176,209</u></b>

See the accompanying notes.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED MARCH 31, 2006**

	<u>ROAD FUND</u>	<u>GARBAGE FUND</u>	<u>TOTALS MARCH 31, 2006</u>
REVENUES:			
Taxes	\$ 67,312	\$ -	\$ 67,312
Interest	1,328	267	1,595
Metro	4,177		4,177
Refuse collection assessments		87,750	87,750
	<u>72,817</u>	<u>88,017</u>	<u>160,834</u>
TOTAL REVENUES			
	<u>72,817</u>	<u>88,017</u>	<u>160,834</u>
EXPENDITURES:			
Road construction	75,912		75,912
Refuse collection operations		86,492	86,492
	<u>75,912</u>	<u>86,492</u>	<u>162,404</u>
TOTAL EXPENDITURES			
	<u>75,912</u>	<u>86,492</u>	<u>162,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,095)</u>	<u>1,525</u>	<u>(1,570)</u>
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(3,095)</u>	<u>1,525</u>	<u>(1,570)</u>
FUND BALANCE - APRIL 1, 2005	<u>112,547</u>	<u>65,232</u>	<u>177,779</u>
FUND BALANCE - MARCH 31, 2006	<u>\$ 109,452</u>	<u>\$ 66,757</u>	<u>\$ 176,209</u>

See the accompanying notes.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**ROAD FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes - current	\$ 7,794	\$ 67,312	\$ 59,518
Taxes - delinquent			-
Metro	4,000	4,177	177
Interest	<u>150</u>	<u>1,328</u>	<u>1,178</u>
TOTAL REVENUES	<u>11,944</u>	<u>72,817</u>	<u>60,873</u>
EXPENDITURES:			
Road construction	<u>116,463</u>	<u>75,912</u>	<u>40,551</u>
TOTAL EXPENDITURES	116,463	75,912	40,551
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(104,519)</u>	<u>(3,095)</u>	<u>101,424</u>
FUND BALANCE - APRIL 1, 2005	<u>112,547</u>	<u>112,547</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2006	<u>\$ 8,028</u>	<u>\$ 109,452</u>	<u>\$ 101,424</u>

See the accompanying notes.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**REFUSE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Current Property Taxes and Fees	\$ -	\$ -	\$ -
Special assessments	101,551	87,750	(13,801)
Interest	250	267	17
	<u>101,801</u>	<u>88,017</u>	<u>(13,784)</u>
TOTAL REVENUES			
EXPENDITURES:			
Office supplies	-	-	-
Postage	-	-	-
Contractor	86,087	86,087	(0)
Attorney	-	-	-
Refunds	250	237	13
Printing and Publishing	200	168	32
	<u>86,537</u>	<u>86,492</u>	<u>45</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>15,264</u>	<u>1,525</u>	<u>(13,739)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>15,264</u>	<u>1,525</u>	<u>(13,739)</u>
FUND BALANCE - APRIL 1, 2005	<u>65,232</u>	<u>65,232</u>	
FUND BALANCE - MARCH 31, 2006	<u>\$ 80,496</u>	<u>\$ 66,757</u>	<u>\$ (13,739)</u>

See the accompanying notes.



**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**CURRENT TAX COLLECTION FUND**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	<b>BALANCE APRIL 1, 2005</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>BALANCE MARCH 31, 2006</b>
<b><u>ASSETS</u></b>				
Cash in Bank-Savings	\$ -	\$ 1,128,471	\$ 1,022,255	\$ 106,216
Cash in Bank-Checking	46,286		46,056	230
Taxes Receivable-Winter	112,644	32,360		145,004
Taxes Receivable-Summer	17,836	2,877		20,713
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 176,766</u></b>	<b><u>\$ 1,163,708</u></b>	<b><u>\$ 1,068,311</u></b>	<b><u>\$ 272,163</u></b>
<b><u>LIABILITIES</u></b>				
Due to General Fund	\$ 52,569	\$ 52,569	\$ 58,113	\$ 58,113
Due to Garbage Fund	14,160	88,133	89,849	15,876
Due to Road Fund	7,794	7,794	67,313	67,313
Due to other taxing units	102,243	919,815	948,433	130,861
<b><u>TOTAL LIABILITIES</u></b>	<b><u>\$ 176,766</u></b>	<b><u>\$ 1,068,311</u></b>	<b><u>\$ 1,163,708</u></b>	<b><u>\$ 272,163</u></b>

See the accompanying notes.

**TOWNSHIP OF WELLS, TUSCOLA COUNTY**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**GENERAL FIXED ASSET ACCOUNT GROUP**  
**March 31, 2006**

	<u>BALANCE APRIL 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE MARCH 31, 2006</u>
Land and Buildings:				
Land	\$ 10,000			\$ 10,000
Building	5,629	\$ 203,236		208,865
Machinery and Equipment	<u>67,723</u>	<u>4,110</u>		<u>71,833</u>
<b>TOTAL</b>	<u><u>\$ 83,352</u></u>	<u><u>\$ 207,346</u></u>	<u><u>NONE</u></u>	<u><u>\$ 290,698</u></u>

See the accompanying notes.